



STEVE WESTLY
California State Controller

January 31, 2006

Mr. Rob Feckner, Board President and
Members, CalPERS Board of Administration
400 P Street
Sacramento, CA 95814

Dear President Feckner and Members:

I urge the CalPERS Board to continue its national leadership in the fight against corporate abuses by working to make "clawbacks" the norm in executive compensation agreements.

Clawback provisions enable shareholders to take back merit-based compensation awarded on the basis of misstated or fraudulent company performance. They provide needed accountability to ensure executives are compensated according to actual performance, not cooked books.

At our February 6 meeting, I will propose that the Board initiate and support shareholder resolutions requiring companies to include clawback policies in executive contracts, and amend our Strategic Plan and proxy voting guidelines accordingly.

Consistent with this effort and our Strategic Plan, I also will request that the Board formally support Representative Barney Frank's "Protection against Executive Compensation Abuse Act," and direct our federal representative, Tom Lussier, to advocate for its passage. This bill is similar in intent to the SEC's pending rules to improve disclosure of executive compensation. It also would require the return of performance-based compensation in the event earnings are restated or because they were fraudulent.

I have consistently urged the Board to take a leadership role on executive compensation reform to benefit our economy and our retirees. Our fiduciary obligation to the retirees we represent require action against excessive executive compensation. Doing so will increase the transparency that is required to accurately assess whether a company we invest in or may invest in is financially sound.

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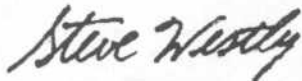
Mr. Rob Feckner

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I look forward to discussing these proposals at our Investment Committee meeting. Please feel free to contact Deputy Controller Karen Greene-Ross or me at (916) 445-5881 if you have any questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "Steve Westly". The signature is fluid and cursive, with the first name "Steve" being more prominent than the last name "Westly".

STEVE WESTLY

SW: jh/sw

cc: Fred Buenrostro, Chief Executive Officer
Anne Stausboll, Interim Chief Investment Officer
Christine Wood
Dennis Johnson